



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department
Department No.: 057
For Agenda Of: June 25, 2013
Placement: Departmental
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Herman Parker, Community Services Director (805) 568-2467
Director(s)
Contact Info: Angie Hacker, emPowerSBC Program Manager (805) 568-3515
SUBJECT: emPowerSBC Continuation Funding

County Counsel Concurrence

As to form: YES

Auditor-Controller Concurrence

As to form: YES

Other Concurrence: Risk Management

As to form: YES

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a report on emPowerSBC progress and an implementation plan for the next phase of emPower (Attachment A);
- B. Approve and authorize the Chair of the Board to execute the Agreement to Deliver the 2013-2014 County of Santa Barbara emPower Energy Efficiency Program (the "PUC Agreement") between County of Santa Barbara and Southern California Gas Company made available through the California Public Utility Commission (CPUC) 2013-2014 funding cycle (Attachment B);
- C. Subject to concurrence by the Auditor-Controller, County Counsel, and Risk Management, approve and authorize the County Executive Officer or designee to execute all follow on approvals required by the PUC Agreement;
- D. Approve and authorize the Chair of the Board to execute the California Energy Commission Sub-Recipient Agreement between the County of Los Angeles and Santa Barbara County ("CEC Agreement") (Attachment C);
- E. Subject to concurrence by the Auditor-Controller, County Counsel, and Risk Management, approve and authorize the County Executive Officer or designee to execute all follow on approvals required by the CEC Agreement; and

- F. Determine that the approval and execution of the PUC and CEC Agreements is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the project is a creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption (Attachment D).

Summary Text:

emPower is the County's voluntary building efficiency program. Using market-based solutions, emPower is designed to stimulate the local economy and reduce energy consumption by helping private property owners complete energy improvements. On September 4, 2012, the Board of Supervisors directed staff to pursue additional funding opportunities made available to the County to sustain and enhance the program beyond current funding expiration in August 2013, and expand the emPower model to Ventura and San Luis Obispo Counties.

Initial grant awards allowed the County to invest in the development of emPower's robust energy efficiency program infrastructure. Since emPower launched in late 2011, a broad range of program start up activities have already attracted over 3,000 individuals to actively engage with program services, leading to energy efficiency work in approximately 202 homes as of May 31, 2013. These home energy projects have resulted in over \$1.7 million in project activity for participating contractors, as well as \$600,000 in loan activity for participating lenders. Along with increasing consumer demand and project income for over 20 participating contractors, emPower has generated other lasting positive impacts for the local contracting market. For example, the program has provided 27 workforce trainings for 409 building professional attendees, resulting in a 700% increase in the number of professionals certified to conduct building performance assessments and retrofits. In addition, the County's innovative program design has earned statewide recognition and distinction, which has led to over \$5 million in additional funding offers (described below) to continue and expand the program.

The recommended actions in this report provide the Board the opportunity to authorize acceptance of two funding contracts that are intended to cover all expenses related to a Tri-County emPower program through the end of 2014. With current grant funds expiring in two months (August), these well-timed funding opportunities provide the only viable means to realize ongoing returns on the initial investment made in developing emPower.

Background:

Over the course of the last several years, buildings have become a key focal point of the national policy strategy to stimulate economic recovery while lowering resource consumption. Since emPower was first conceived in 2009, federal, State and local interest in the policy area has continued to grow, leading to substantial funding to support local and regional programs. As described in detail in Attachment A, emPower has invested initial grant funding to develop a robust set of valuable and unique program assets designed to help achieve County goals related to economic vitality and community sustainability. The assets produced (see page 16 of Attachment A) range from a \$20 million residential loan program, to customized rebate processes, to a widely recognized brand identity, which have already generated important outcomes after emPower's first 18 months in operation.

In California, it is estimated that 5.8 million homes are likely candidates for substantial energy retrofits, estimated to cost \$60 billion to complete. It is estimated that the County's 32,000 owner occupied, single family homes over 25 years old would cost nearly \$480 million to retrofit. To help advance the

State's goal of lowering energy use in buildings by 40% by 2020, the County's emPower program has been offered over \$5 million in funding agencies to continue and expand upon its original model. The funding opportunities can support the broad array of emPower services described under "Program Progress Updates" on page 4 of this Board Agenda Letter, below, and are offered under the condition that emPower expand services to the Tri-County region, including access to emPower financing.

As directed by the Board on September 4, 2012, staff have identified additional funding opportunities to sustain and enhance the program beyond current funding expiration and the emPower model by expanding into Ventura and San Luis Obispo Counties. The Board of Supervisors is now asked to consider authorizing the execution of the funding contracts detailed below to allow emPower to operate after August 2013.

CEC Agreement: The California Energy Commission (CEC) has provided \$11 million in remaining American Recovery and Reinvestment Act (ARRA) funds to Los Angeles County under the understanding that a portion of those funds will be dedicated to other programs in the State. With these funds, the CEC is interested in expanding credit enhancement-based, energy efficiency financing programs, particularly into neighboring communities. As one of only two local energy efficiency programs in the State with a credit enhancement financing program, emPowerSBC is offered a \$1.55 million contract by the CEC, through Los Angeles County, to expand comprehensive services into Ventura and San Luis Obispo Counties. The CEC recognized that the credit unions working with emPower currently operate throughout San Luis Obispo and Ventura Counties, creating an opportunity to efficiently deliver consistent services to a broader region. While both counties are home to significant efforts to bolster the green building market, these jurisdictions do not currently have an active energy efficiency financing program or energy efficiency program delivery functions, such as marketing and outreach, and workforce development that also serve to complement the statewide Energy Upgrade California incentive program.

PUC Agreement: The California Public Utilities Commission (CPUC) is a regulatory agency that regulates privately owned public utilities in the State of California and oversees billions of dollars in rate payer funds to support statewide energy efficiency efforts. On May 10, 2012, the CPUC mandated that the investor owned utilities (IOU) ensure that credit enhancement financing programs previously funded under ARRA could continue operating beyond funding expiration dates, allowing more time to gather energy efficiency loan performance data needed to inform future financing markets. As one of only a handful of credit enhancement financing programs in the State, emPowerSBC is offered \$3.7 million in additional funding by the CPUC, through the Southern California Gas Company, to support expanding emPower's comprehensive service portfolio to the Tri-County region through December 31, 2014, including marketing, outreach, customer service and workforce development functions that can simultaneously support statewide Energy Upgrade California activities.

emPowerSBC is a grant funded program, and does not seek material support from the General Fund. The funding sources described above provide the only known means to sustain and enhance emPowerSBC's building energy efficiency activities and associated staffing beyond existing grant expirations in August 2013.

Program Progress Updates:

Following Board direction in 2010 emPower staff invested initial ARRA grant dollars to develop a lasting infrastructure for energy efficiency services, which has resulted in an extensive collection of unique and valuable programmatic assets listed in Attachment E. emPower currently operates a broad

range of services, including the six functional services areas below, which are explained further in Attachment A:

- Workforce Development/Training
- Local Customer Service
- Expert Energy Advising
- Community Education and Outreach
- Residential Financing for Energy Improvements
- Residential Rebates for Energy Improvements

Since program launch in late 2011, emPower start up activities under the six service areas have resulted in the following outcomes:

- **Real economic impact and energy savings:** emPower services have led to home energy projects and/or assessments in approximately 202 homes as reported by contractors as of May 14, 2013, resulting in:
 - Over \$1.7 million in project activity creating \$3.4 million in economic multipliers (according to IMPLAN analysis)
 - Nearly \$600,000 in loan activity for participating lenders
 - Average of 32% energy savings for completed projects (per data received to date)
- **Lasting advancements in local building trades:**
 - emPower conducted 27 workforce trainings for 409 attendees, resulting in:
 - Enrollment of over 20 participating contracting companies
 - A 700% increase in the number of certified building performance professionals in Santa Barbara County.
 - Contracting companies hiring, partnering, creating new divisions and applying new skills to general remodels and other construction projects.
 - Contractors report that loans are necessary to help roughly 15-20% of homeowners overcome the upfront cost of home energy improvements. Many also report that the program's greatest impact is its unique ability to connect contractors to resources that can advance their skills and business, and effectively connect those contractors with homeowners in need.
- **Widespread home energy education and brand awareness:** emPower deployed a multifaceted outreach campaign reaching a circulation of over 300,000 people which led to:
 - Over 11,000 web hits
 - 3,000 interested individuals that have actively called/emailed the program, registered to "get started" online, or attended one of 51 community outreach events.
- **Ability to sustain services into the future:** emPower earned Statewide recognition resulting in:
 - \$5.25 million in new State funding to continue and expand the program (the PUC and CEC contracts being considered in this Board letter).

Staff continually seek opportunities to refine and improve its program design to better attract participation.

Implementation Plan for Next Phase: emPower 3.0

Per Board direction in September 2012, staff developed "emPower 3.0" (Attachment A), outlining emPower's plan to utilize new funding sources to implement the emPower model throughout the Tri-County, consistent with conditions of the new CEC and PUC Agreements. The Tri-County approach has benefits to Santa Barbara County aside from being a condition of receiving funds. As originally considered during the 2009 feasibility study, a regional model is able to attract more participation from homeowners and therefore contractors, leading to greater outcomes from the economy and environment. It also maximizes current programmatic and marketing infrastructure (e.g., financing agreements,

workflows, advertising, etc.), while minimizing administrative redundancies and community confusion. Letters from Ventura and San Luis Obispo Counties (Attachment E) demonstrate great support of the Tri-County emPower model.

emPower 3.0 proposes accepting two funding contracts totaling \$5.25 million to operate the same program model (six service functions listed above) in an expanded service boundary for two years. To centrally administer program operations and expansion, the program would fund the fourth position previously allocated to emPower. Per the funding contracts, Santa Barbara County would pass through funds to Ventura and San Luis Obispo to support limited staffing and operating costs associated with local program delivery including outreach, contractor recruitment and customer service. Between the two funding sources, a total of \$2 million is budgeted to establish and operate segregated loan loss reserve accounts for each of the three Counties, which is expected to be leveraged against private lender capital at the current ratio (20:1) negotiated in Santa Barbara County's agreement with CoastHills Federal Credit Union. A portion of these funds may be used to develop new products for secured or multi-family residential loans. The table below shows the spending breakdown associated with new funding.

New Funding Spending Breakdown	2012-2013	2013-2014	2014-2015
Salaries and Benefits	\$47,800	\$622,000	\$311,000
Operations, Workforce and Marketing	\$71,500	\$660,000	\$379,700
Total Program Spending	\$119,300	\$1,282,000	\$690,700
Pass Through to Other Counties	\$0	\$828,000	\$330,000
Loan Loss Reserve	\$0	\$1,600,000	\$400,000

* Loan loss reserve funding provided in the PUC agreement will not be recorded as revenue.

**FY 2014-15 includes a partial year of funding

In order for emPower to continue operating the program past August 2013 and ultimately launch the next phase of the program, the Board must first decide whether or not to accept additional funds. The following represents the Board's options:

1. Accept funds and direct staff to implement a Tri-County program: This option allows service functions and programmatic assets to continue to generate local outcomes for years to come, and puts emPower in position to continue to pursue funding expected to be allocated for regional services in the future.
2. Don't accept funds and direct staff to either a) ramp down program operations, or b) seek alternatives prior to August 2013

Staff recommend authorizing execution of the \$1.55 million CEC Agreement with Los Angeles County and the \$3.7 million PUC Agreement with the Southern California Gas Company to cover program costs through the end of 2014, which would allow emPower to build upon existing infrastructure to support a regional building efficiency effort in coordination with San Luis Obispo and Ventura Counties.

Fiscal and Facilities Impacts:

If funds are received, staff would recognize revenues and expenditures accordingly through budget revisions.

Fiscal Analysis:

The emPowerSBC program is currently funded by grants from the United States Department of Energy and Southern California Gas Company through August 2013. New funding contracts from the CEC and PUC provide over \$5 million in revenue to support ongoing program activities. There are no matching requirements associated with these funding sources.

Staffing Impacts:

N/A

Special Instructions: Please send two copies of the signed PUC and CEC Agreements and minute order to Angie Hacker.

Attachments:

Attachment A: emPower 3.0 Progress Report and Implementation Plan

Attachment B: PUC Agreement

Attachment C: CEC Agreement

Attachment D: CEQA Notice of Exemption

Attachment E: Letters from Ventura and San Luis Obispo

Authored by:

Angie Hacker, Program Manager, emPowerSBC